

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 INR-07 OES-07 SS-15  
SP-02 H-01 /055 W  
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FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 6139  
INFO USMISSION GENEVA

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USEEC

DEPARTMENT PASS TO OECD CAPITOLS AS DESIRED

E.O. 11652: N/A  
TAGS: EWWT, UK  
SUBJECT: US-UK BILATERAL SHIPPING TALKS

REF: STATE 157198 (NOTAL)

1. SUMMARY: FULL AND EXTREMELY CORDIAL TALKS WERE HELD BETWEEN US AND UK REPS ON BOTH BILATERAL AND MULTILATERAL SHIPPING ISSUES JULY 12 AND 13. US REPS AGREED WITH BRITISH THAT BEST DATE FOR NEXT BILATERAL SHIPPING TALKS WOULD BE NOVEMBER 2 AND 3. END SUMMARY.

2. TALKS WERE HELD WITH DEPT. OF TRADE SHIPPING POLICY DIVISION OFFICIALS LANCHIN, PRYOR, HALL, NEVILLE-ROLFE, GRAHAM AND DAVIS. AS DEPT. AWARE AND AS SET FORTH IN AGENDA REFTEL, OIL CARGO PREFERENCE BILL HELD SPOTLIGHT.  
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BRITISH, AS PREDICTED, INDICATED STRONG NEGATIVE REACTION OF UK GOVERNMENT AND SHIPOWNERS TO US MODIFICATION OF INTERNATIONAL SHIPPING ENVIRONMENT TO SECURE OVERT PROTECTION FOR US SPECIAL INTERESTS. BRITISH CHARACTERIZED PRESIDENT'S DECISION AS "GREAT BLOW" TO FREE TRADE; AS REPUDIATION OF PRINCIPLES OF MARKET FORCES AS SET FORTH IN CIEC, ETC.; AND MOREOVER A REPUDIATION OF DOWNING

STREET SUMMIT AND PRESIDENT'S PLEDGE AGAINST US PROTECTIONIST MEASURES. UK BELIEVES THIS IS MAJOR CHANGE IN US POLICY WHICH WILL ULTIMATELY GO BEYOND OIL AND HAS REPRECUSIONS BEYOND SHIPPING. BRITISH CONVINCED THIS WILL HAVE RIPPLE EFFECTS, SUCH AS ON CODE OF CONDUCT FOR LINER CONFERENCES AND CIEC IN THE LARGER CONTEXT. UK SEE 4-1/2 - 9-1/2 PERCENT FIGURE IN PRESIDENT'S PROPOSALS AS MERELY FOOT IN DOOR. UK REPS LEFT NO DOUBT THAT THERE WILL BE FURTHER FORMAL REACTIONS FROM UK AND CSG GOVERNMENTS. UK DISPLAYED MORE SORROW AND REGRET, PUNCTUATED BY REFERENCES TO "NEFARIOUS" CONSEQUENCES FOR INTERNATIONAL MARKET ECONOMY THAN RECRIMINATION. APPRECIATION EXPRESSED FOR STATE DEPT. AND OTHER US AGENCIES' EFFORTS. UK FEELS PRESIDENT'S DECISION POLITICALLY ORIENTED AND DID NOT TAKE INTO ACCOUNT INTERNATIONAL ECONOMIC CONSEQUENCES. IN LATER DISCUSSION WITH GENERAL COUNCIL OF BRITISH SHIPPING AND CENSA REPS, SIMILAR REGRET AND SORROW EXPRESSED BUT NONETHELESS THEY EXHIBITED FORMIDABLE RESOLUTION IN REGARD TO FIGHTING OIL CARGO PREFERENCE IN SENATE AND AT WHITE HOUSE PRIOR TO ENACTMENT.

3. JONES ACT APPLICABILITY TO OFFSHORE OIL SUPPLY VESSELS AND TO TRANS-SHIPMENT OF FULL CONTAINERS -- FRIENDLY DISCUSSION HELD; BRITISH WILL ENDEAVOR TO FORWARD TO DEPT. DETAILED INFORMATION ON US VESSELS OPERATING IN NORTH SEA, TO INCLUDE BREAKDOWN AS TO US FLAG, LIMITED OFFICIAL USE

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US BUILT AND ANY OTHER US INTERESTS. US SIDE AGREED TO LOOK INTO POSSIBILITY OF PROVIDING SOME SORT OF RECIPROCITY. NO PROMISES WERE GIVEN ON EITHER SIDE. IN REGARD TO CONTAINERS, UK OPERATORS STILL CLAIM TO BE IN WORSE POSITION THAN US OPERATORS IN US COASTAL TRADE RE MARSHALLING OF CONTAINERS AND RATIONALIZATION OF SERVICES. US SIDE REPEATED OFT STATED US CUSTOMS POSITION THAT MOVEMENT OF FULL CONTAINERS BETWEEN PORTS IN US COASTAL TRADE BY FOREIGN FLAG CARRIERS VIOLATION OF JONES ACT, AND LITTLE REALISTIC PROSPECT SEEN FOR CHANGE. UK REQUESTED US TO EXPLORE POSSIBILITIES OF EFFECTIVE RECIPROCITY IN THIS FIELD. ON THE LIGHTER SIDE, THE "LOONY CASES" WERE RAISED BY THE UK, E.G., THE ILLEGALITY, UNDER THE JONES ACT, OF OPERATING BRITISH-BUILT WHITE WATER RAFTS ON INTERNAL THOUGH NAVIGABLE US WATERWAYS. WE PROMISED TO LOOK INTO THIS ONE.

4. GRAND JURY -- BRITISH POSITION, AND FOR THAT MATTER US POSITION, HAVE NOT CHANGED IN THIS AREA. BOTH SIDES

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DECIDED NO REASON TO REPEAT PREVIOUS POSITIONS NOR WERE  
EARLIER BRITISH RECRIMINATIONS SOUNDED ANEW. BOTH SIDES  
AGREE THAT THERE IS A NEED FOR LONG-TERM STRATEGY BASED  
ON INTERDEPENDENCE OF INTERESTS TO RESOLVE PROSPECTIVE  
POTENTIAL CONFLICTS OF LAWS. UK TAKES VIEW THAT THE  
ACTS ATTRIBUTED TO ITS SHIPOWNERS ARE LEQAL AND NORMAL  
COMMERCIAL ACTIVITIES AND THAT TO SUBJECT THEM TO  
CRIMINAL PROSECUTION IS UNFORTUNATE. UK SIDE AGREED  
TO CONSIDER DISASSOCIATING EXISTING CASE AND RESOLUTION  
OF FUTURE PROBLEMS. NEVERTHELESS, UK REPEATED THEIR  
BELIEF THAT US DOJ SHOWS LACK OF UNDERSTANDING OF INTER-  
NATIONAL SHIPPING, AND REQUESTS THAT DEPT. CONTINUE TO  
"REPRESENT THEM" IN DISCUSSIONS WITH DOJ. WE AGREED.

5. FMC AND FACT-FINDING -- GENERAL DISCUSSION WAS HELD  
ON FMC FACT-FINDING NO. 9. UK RECOGNIZES "DIFFERENCE  
BETWEEN FMC AND DOJ" AND SEEKS VOLUNTARY APPROACHES IN  
RESOLVING MALPRACTICE CASES. THEY FEEL THAT OPEN CON-  
FERENCES CREATE ATMOSPHERE PROMOTING MALPRACTICE DUE TO  
LACK OF RATIONALIZATION. BRITISH WOULD PERHAPS LIKE TO  
WORK WITH FMC, BUT AT THIS JUNCTURE ARE NOT PREPARED TO  
THROW THEMSELVES ON MERCY OF FMC. BRITISH WOULD RATHER  
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SEE SELF-POLICING AND OTHER COMMERCIAL SOLUTIONS TO PROSPECT OF MALPRACTICE AND REEMPHASIZED DESIRE THAT CONFERENCES WORK WITHOUT ACTIVE GOVERNMENT ROLE. (WHILE DISCUSSING CONFERENCES, THE BRITISH SIDE DID ADMIT A STRONG ROLE FOR INDEPENDENT "OUTSIDERS" IN CONJUNCTION WITH CLOSED CONFERENCES SYSTEM.) ON ISSUE OF GENERAL FMC EFFICIENCY IN RESOLVING OUTSTANDING DOCKETS (NOT NECESSARILY AFFECTING IN A DIRECT SENSE BRITISH SHIPPING INTERESTS), UK SIDE BELIEVES THAT FMC INEFFICIENCY AND ADMINISTRATIVE CHAOS IS DETRIMENTAL TO WORLD SHIPPING AND HAS ASKED OUR HELP. UNDER BILATERAL HEADING GENERAL DISCUSSION OF OTHER TOPICS WAS HELD, INCLUDING OCEAN TARIFF BILL AND FUTURE OF CONFERENCE SYSTEM IN US TRADE.

6. MULTILATERAL ISSUES -- REGARDING IMCO, QUESTION OF COUNCIL CHAIRMANSHIP (OUR SUPPORT OF ADMIRAL EDWARDS' CANDIDACY), A NEW IMCO BUILDING AND US OIL POLLUTION INITIATIVE SUBJECT OF EXTENSIVE DISCUSSIONS WITH LANCHIN AND HALL. SEE SEPTTEL FOR DETAILS. ON OTHER MULTILATERAL ISSUES, BRITISH SPOKE FREELY ABOUT MEETINGS HELD WITH SOVIET OFFICIALS AS PART OF UK-USSR MARITIME COMMISSION. BRITISH APPEAR TO HAVE HANDLED SITUATION WELL AND WERE NOT LED DOWN PROVERBIAL "GARDEN PATH" BY OVERT SOVIET ATTEMPT TO DRIVE WEDGE INTO WESTERN SHIPPING POLICY. BRITISH INFORMED SOVIETS OF RISING PROBLEMS IN BILATERAL, CROSS, AND TRANS-SIBERIAN TRADES AND THINK THAT "LESSON IS GETTING HOME." USSR WARNED BY BRITISH THAT THEY CANNOT COUNT ON CONTINUING WESTERN INDIFFERENCE TO DISRUPTIONS IN COMMERCIAL SHIPPING PATTERNS BY SOVIET SHIPPING COMPANIES UNDERCUTTING OF RATE STRUCTURES. USSR ADMITTED THAT THEIR COMPANIES ARE UNDER GOVERNMENT QUID-ANCE. LANCHIN OPINED THAT ALTHOUGH NO REAL SUBSTANCE HAD BEEN ACHIEVED, PROCEDURAL GAINS HAD BEEN MADE IN THE LIMITED OFFICIAL USE

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MECHANISM FOR MEETINGS IN THAT MIXED COMMISSION SESSION MIGHT BE HELD WHENEVER NECESSARY RATHER THAN AWAITING REGULAR ANNUAL SESSION. NEXT UK-USSR SESSION TO BE HELD LATER THIS SUMMER IN MOSCOW. PARENTHETICALLY, LANCHIN NOTED THAT HE CAN UNDERSTAND AND IN FACT MORE THAN SYMPATHIZE WITH US CONCEPT IN DEALING BILATERALLY WITH CONTROLLED CARRIER SHIPPING COUNTRIES AFTER HAVING EXPERIENCED BILATERAL IMBALANCE IN UK-USSR SHIPPING RELATIONS. HE ALSO ADMITTED GREAT FRUSTRATION, NOT UNKNOWN IN THE REST OF THE WEST, IN SECURING SOVIET COMPLIANCE WITH TRADITIONAL SHIPPING PRACTICES IN THE CROSS TRADES. UK REPORTED THAT AVERIN (USSR) VIEWED COLLAPSE OF BAKKE AGREEMENT AS BEING FAULT OF USG DUE TO ACTIVITIES OF FMC AND DOJ, AND AGAIN ATTEMPTED TO USE US-WESTERN SHIPPING POLICY DIFFERENCES ON FMC DOCKET QUESTIONS, ANTI

TRUST AND CARGO PREFERENCE AS "CRUDE" WEDGE BETWEEN US  
AND OTHER WESTERN SHIPPING ADMINISTRATIONS. US SIDE  
DESCRIBED WASHINGTON ATMOSPHERE VIS-A-VIS  
THIRD FLAG RATE BILL AND FOUND SIGNIFICANT SUPPORT FOR  
SAME BY BRITISH GOVERNMENT. BRITISH ADMITTED THAT  
ALTHOUGH ARMED WITH LEGISLATION SIMILAR TO US GENERAL  
ORDER 33, SECTION 19, OF SHIPPING ACT, VIA PASSAGE OF  
BRITISH MERCHANT SHIPPING ACT OF 1975, UK UNLIKELY TO  
TAKE RETALIATORY MEASURES AGAINST USSR WITHOUT COORDIN-  
ATED WESTERN SHIPPING APPROACH.

7. EEC -- UK SIDE EXPLAINED FAILURE TO INFORM US OF UK  
PROPOSAL ON CODE OF CONDUCT WHICH HAD BEEN DISCUSSED  
WITHIN EEC TRANSPORT WORKING GROUP BEGINNING THIS PAST

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MARCH. UK HAD NEED AT TIME FOR PROPOSAL TO BLOCK PRO-  
CODEST MOVES IN THE 9 WHICH COULD HAVE LEFT UK ISOLATED.  
FAILURE TO INFORM US OF PROPOSAL AND ITS CONTENT DEEPLY  
REGRETTED BY UK. IT RESULTED FROM TIME PRESSURE AND PROB-  
LEMS OF INTER-MINISTERIAL MECHANICS. US SIDE EXPLAINED  
BASIS FOR SERIES OF MEETINGS IN WASHINGTON WITH REPRESENTATIVES OF THE 6 OTHER COUNTRIES WHICH VOTED AGAINST  
THE CODE. BRITISH SIDE UNEXPECTEDLY AGREED TO INFORMAL  
MEETING (MOST PROBABLY PRIOR TO OR DURING OECD MTC MEET-  
ING IN PARIS IN SEPTEMBER) TO EXCHANGE DESCRIPTIONS OF  
CURRENT STATUS OF THE 7 VIS-A-VIS THE CODE. BANK WILL  
INFORM REPRESENTATIVES OF OTHER GOVERNMENTS CONCERNED

UPON HIS RETURN TO WASHINGTON.

8. DISCUSSIONS WITH UK AND EUROPEAN SHIPOWNERS REPRESENTATIVES FOLLOWED PREDICTABLE LINES AND PARALLELED UK AND GENERAL EUROPEAN POSITIONS. ROSS-BELL AND FARTHING, IN PARTICULAR, EMPHASIZED SHIPOWNER DESIRE AND RESOLVE TO FIGHT OIL CARGO PREFERENCE LEGISLATION IN SENATE.

9. US REPS AGREED WITH BRITISH SUGGESTION THAT NEXT LIMITED OFFICIAL USE

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BILATERAL SHIPPING TALKS TO INCLUDE ON US SIDE DEPUTY ASSISTANT SECRETARY BILLER AND BANK AND ON UK SIDE LANCHIN AND PRYOR, BE HELD WEDNESDAY AND THURSDAY, NOVEMBER 2 AND 3, JUST PRIOR TO IMCO COUNCIL NOVEMBER 4 MEETING AND TWO WEEK MEETING OF THE 10TH IMCO ASSEMBLY.

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## Message Attributes

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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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